

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

Docket No. 2009-489-E

May 14, 2010

IN RE: Application of South Carolina Electric)	
& Gas Company for Adjustments and)	
Increases in the Company's Electric)	SECOND STIPULATION ON
Rate Schedules and Tariffs)	CERTAIN MATTERS
_____)	

This Stipulation ("Stipulation") is made by and between the South Carolina Office of Regulatory Staff ("ORS"), Frank Knapp, Jr., and South Carolina Electric & Gas Company ("SCE&G" or "the Company") (collectively referred to as the "Parties" or sometimes individually as "Party").

WHEREAS, ORS, Frank Knapp, Jr., and SCE&G have varying positions regarding the issues in this case;

WHEREAS, ORS and SCE&G entered into a Stipulation on Certain Matters dated May 3, 2010, in which the Parties agreed to a 10.7% return on common equity, a pilot weather normalization adjustment mechanism, and a one-time credit of \$25 million to SCE&G's retail electric customers;

WHEREAS, on May 3, 2010, ORS pre-filed the direct testimony of A. Randy Watts, Sharon G. Scott, M. Anthony James, Daniel F. Sullivan, and Leigh C. Ford ("ORS Witnesses") with the Public Service Commission of South Carolina ("Commission"), which set forth ORS's findings and recommendations resulting from ORS's examination of SCE&G's application filed in this docket;

WHEREAS, SCE&G has reviewed the pre-filed direct testimony of the ORS Witnesses;

WHEREAS, ORS and SCE&G have continued discussions to determine if a stipulation on certain matters would be in their best interests and in the case of ORS, in the public interest; and

WHEREAS, following those discussions, SCE&G and Frank Knapp, Jr. have determined that their interests, and ORS has determined that the public interest, would be best served by stipulating to certain matters pending in the above-captioned case under the terms and conditions set forth below:

- 1) The Parties agree to place into the record before the Commission this Stipulation.
- 2) Except as otherwise agreed to herein, SCE&G agrees, solely for the purposes of this case and no future cases, with the ORS Accounting and Pro Forma Adjustments set forth in the pre-filed direct testimony of the ORS Witnesses. As such, SCE&G agrees to stipulate to testimony regarding the ORS Accounting and Pro Forma Adjustments set forth in Audit Exhibit SGS-2 pages 1 through 5 in the column labeled "ORS Retail Electric" and described in the pre-filed direct testimony of the ORS Witnesses without objection, change, amendment or cross-examination with the exception of changes comparable to those which would be presented via an errata sheet or through a witness noting a correction. Where ORS has indicated that there is no adjustment, the Parties agree that no adjustment shall be made; additionally, neither Party will propose nor advocate adoption of adjustments in addition to, instead of, or inconsistent with the accounting and pro forma adjustments set forth in Audit Exhibit SGS-2. All Parties reserve the right to conduct redirect examination of its witnesses as necessary in order to respond to issues raised by the examination of its witnesses, if any, by non-Parties to this Stipulation or by any other person, or to any late-filed testimony.

3) By agreeing to the ORS Accounting and Pro Forma Adjustments in this docket, SCE&G is not waiving, but specifically reserves, its right to object to any proposed removal of such costs from utility expenses in future proceedings.

4) SCE&G further agrees with ORS's recommendation to flow the deferred Economic Impact Zone Investment Tax Credit balance to retail ratepayers via a decrement rider which will remain in place for two years or until the credits are exhausted. This amounts to \$24,362,500 per year or a total of \$48,725,000. The Parties acknowledge there is a possibility that more or less than \$48,725,000 may be credited to customers. If the customers are over-credited or under-credited, then the difference between the actual credit and \$48,725,000 will be placed in a deferred account with interest at the 3-year U.S. Government Treasury Notes, as reported by the *Wall Street Journal*, either in its print edition or on its website, plus an all-in spread of 65 basis points (0.65 percentage points) not to exceed 6% to be recovered or returned in a future general rate case proceeding.

5) The Parties further agree that SCE&G should be authorized to continue to withdraw the policy premiums for the storm damage insurance for SCE&G's transmission and distribution system from the Storm Damage Reserve Fund. SCE&G will review any changes in premiums for storm damage insurance with ORS on an annual basis. For the purposes of calculating working cash and rate base in this proceeding the parties agree to assume a one-time charge to the storm damage reserve in the amount of \$407,000 which will not otherwise be reflected on the books of SCE&G.

6) The Parties agree that collection of the Storm Damage Reserve Rider shall be suspended subject to future reinstatement by the Commission. The Parties agree that in future proceedings SCE&G may present evidence indicating that the annual average cost of SCE&G's storm expense may equal or exceed the expected damage assessment contained in the Hurricane and Ice Storm Loss and Reserve Solvency Analysis presented to the Commission in 2007.

Representing and binding the South Carolina Office of Regulatory Staff

A handwritten signature in cursive script, reading "Nanette S. Edwards", is written over a horizontal line.

Nanette S. Edwards, Esquire

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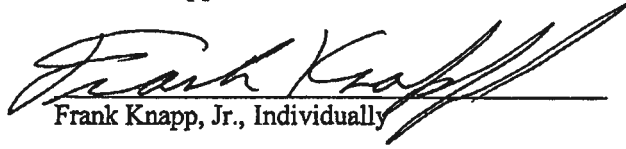
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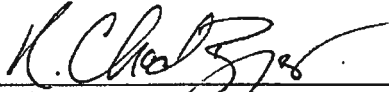
I AGREE:

Frank Knapp, Jr.


Frank Knapp, Jr., Individually

WE AGREE:

Representing and binding South Carolina Electric & Gas Company



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BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2009-489-E

IN RE:

Application of South Carolina Electric & Gas)	
Company for Increases and Adjustments in)	CERTIFICATE OF
Electric Rate Schedules and Tariffs)	SERVICE
)	
)	

This is to certify that I, Chrystal L. Morgan, have this date served one (1) copy of the **SECOND STIPULATION ON CERTAIN MATTERS** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

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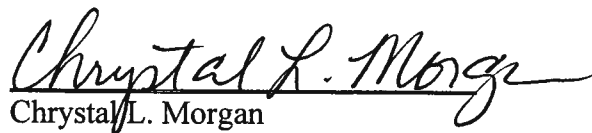
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May 14, 2010
Columbia, South Carolina